

Translation

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Summary of Consolidated Financial Results for the Year Ended June 30, 2022 (Based on Japanese GAAP)

August 10, 2022

Company name: System Support Inc.
 Stock exchange listing: Tokyo
 Stock code: 4396 URL <https://www.sts-inc.co.jp>
 Representative: Representative Director Ryoji Koshimizu
 General Manager of Management
 Inquiries: Headquarters Naoyuki Morita TEL 076-265-5151
 Scheduled date of ordinary general meeting of shareholders: September 27, 2022
 Scheduled date to file Securities Report: September 28, 2022
 Scheduled date to commence dividend payments: September 28, 2022
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended June 30, 2022 (from July 1, 2021 to June 30, 2022)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended June 30, 2022	16,198	12.2	1,196	28.5	1,190	24.7	785	16.5
Year ended June 30, 2021	14,431	7.9	931	23.3	954	34.1	674	49.9

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended June 30, 2022	75.91	75.70	24.5	16.4	7.4
Year ended June 30, 2021	65.45	64.97	25.0	15.1	6.5

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2022	7,815	3,421	43.8	330.33
As of June 30, 2021	6,662	2,993	44.9	289.13

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended June 30, 2022	1,007	(274)	(240)	2,702
Year ended June 30, 2021	709	(276)	(165)	2,199

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended June 30, 2021	–	0.00	–	21.00	21.00	217	32.1	7.9
Year ended June 30, 2022	–	12.00	–	13.00	25.00	258	32.9	8.1
Year ending June 30, 2023 (Forecast)	–	15.00	–	15.00	30.00		31.6	

3. Forecast of consolidated financial results for the year ending June 30, 2023 (from July 1, 2022 to June 30, 2023)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending December 31, 2022	8,765	12.5	722	22.9	721	21.7	487	24.2	47.11
Full year	18,093	11.7	1,456	21.7	1,452	22.0	982	25.1	94.87

4. Notes

(1) Changes in significant subsidiaries during the year ended June 30, 2022

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2022	10,380,000 shares	As of June 30, 2021	10,370,000 shares
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Number of treasury shares at the end of the period

As of June 30, 2022	22,123 shares	As of June 30, 2021	18,123 shares
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Average number of shares during the period

Year ended June 30, 2022	10,350,384 shares	Year ended June 30, 2021	10,305,538 shares
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Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of June 30, 2021	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	2,697,455	3,254,220
Notes and accounts receivable - trade	2,205,577	–
Notes receivable - trade	–	64,800
Accounts receivable - trade	–	2,149,041
Contract assets	–	486,419
Merchandise and finished goods	34,899	41,248
Work in process	123,068	26,609
Supplies	4,041	2,807
Other	254,284	278,733
Total current assets	5,319,326	6,303,881
Non-current assets		
Property, plant and equipment		
Buildings and structures	260,396	271,942
Accumulated depreciation	(132,816)	(149,820)
Buildings and structures, net	127,579	122,122
Vehicles	5,936	4,301
Accumulated depreciation	(5,028)	(3,901)
Vehicles, net	908	400
Tools, furniture and fixtures	299,791	303,828
Accumulated depreciation	(169,071)	(209,087)
Tools, furniture and fixtures, net	130,719	94,740
Land	31,400	21,632
Leased assets	83,496	78,832
Accumulated depreciation	(50,237)	(30,532)
Leased assets, net	33,259	48,299
Construction in progress	–	20,000
Total property, plant and equipment	323,867	307,195
Intangible assets		
Software	194,967	169,980
Goodwill	3,734	199,800
Leased assets	12,089	7,948
Other	2,253	2,253
Total intangible assets	213,044	379,983
Investments and other assets		
Leasehold deposits	316,567	320,654
Deferred tax assets	326,627	389,183
Other	162,831	114,406
Total investments and other assets	806,027	824,244
Total non-current assets	1,342,940	1,511,422
Total assets	6,662,266	7,815,303

(Thousands of yen)

	As of June 30, 2021	As of June 30, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	544,966	520,771
Short-term borrowings	695,000	825,000
Current portion of long-term borrowings	87,239	78,209
Lease liabilities	19,826	20,063
Accounts payable - other	244,803	337,768
Accrued expenses	793,812	980,689
Income taxes payable	209,716	332,826
Provision for bonuses	8,716	9,543
Provision for loss on orders received	4,144	103
Reserve for quality assurance	5,752	7,585
Other	509,677	573,850
Total current liabilities	3,123,656	3,686,410
Non-current liabilities		
Long-term borrowings	170,707	245,800
Lease liabilities	30,200	40,601
Deferred tax liabilities	–	345
Provision for retirement benefits for directors (and other officers)	207,704	233,137
Retirement benefit liability	134,003	182,533
Other	2,941	4,974
Total non-current liabilities	545,558	707,393
Total liabilities	3,669,214	4,393,803
Net assets		
Shareholders' equity		
Share capital	723,122	723,323
Capital surplus	549,639	549,837
Retained earnings	1,745,671	2,203,584
Treasury shares	(18,655)	(18,655)
Total shareholders' equity	2,999,778	3,458,091
Accumulated other comprehensive income		
Foreign currency translation adjustment	(2,326)	6,255
Remeasurements of defined benefit plans	(4,399)	(42,846)
Total accumulated other comprehensive income	(6,725)	(36,591)
Total net assets	2,993,052	3,421,500
Total liabilities and net assets	6,662,266	7,815,303

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Thousands of yen)

	Fiscal year ended June 30, 2021	Fiscal year ended June 30, 2022
Net sales	14,431,360	16,198,337
Cost of sales	10,688,889	11,861,570
Gross profit	3,742,470	4,336,767
Selling, general and administrative expenses	2,811,427	3,140,176
Operating profit	931,043	1,196,591
Non-operating income		
Interest income	75	50
Commission income	854	3,461
Subsidy income	35,227	10,924
Dividend income of insurance	1,305	1,480
Gain on forgiveness of debts	8,738	–
Other	1,223	3,073
Total non-operating income	47,425	18,991
Non-operating expenses		
Interest expenses	15,230	14,522
Foreign exchange losses	8,178	9,340
Other	83	1,157
Total non-operating expenses	23,491	25,021
Ordinary profit	954,976	1,190,561
Extraordinary losses		
Loss on retirement of non-current assets	–	116
Impairment losses	24,447	14,054
Total extraordinary losses	24,447	14,170
Profit before income taxes	930,529	1,176,390
Income taxes - current	295,004	442,245
Income taxes - deferred	(38,971)	(51,542)
Total income taxes	256,032	390,702
Profit	674,496	785,688
Profit attributable to owners of parent	674,496	785,688

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended June 30, 2021	Fiscal year ended June 30, 2022
Profit	674,496	785,688
Other comprehensive income		
Foreign currency translation adjustment	2,309	8,581
Remeasurements of defined benefit plans, net of tax	(3,066)	(38,446)
Total other comprehensive income	(757)	(29,865)
Comprehensive income	673,739	755,822
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	673,739	755,822

Consolidated statements of changes in equity

Fiscal year ended June 30, 2021

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	717,085	543,676	1,171,734	(18,655)	2,413,841
Cumulative effects of changes in accounting policies					–
Restated balance	717,085	543,676	1,171,734	(18,655)	2,413,841
Changes during period					
Issuance of new shares - exercise of share acquisition rights	6,037	5,962			12,000
Dividends of surplus			(100,559)		(100,559)
Profit attributable to owners of parent			674,496		674,496
Net changes in items other than shareholders' equity					
Total changes during period	6,037	5,962	573,936	–	585,936
Balance at end of period	723,122	549,639	1,745,671	(18,655)	2,999,778

	Accumulated other comprehensive income			Total net assets
	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	(4,635)	(1,332)	(5,968)	2,407,872
Cumulative effects of changes in accounting policies				–
Restated balance	(4,635)	(1,332)	(5,968)	2,407,872
Changes during period				
Issuance of new shares - exercise of share acquisition rights				12,000
Dividends of surplus				(100,559)
Profit attributable to owners of parent				674,496
Net changes in items other than shareholders' equity	2,309	(3,066)	(757)	(757)
Total changes during period	2,309	(3,066)	(757)	585,179
Balance at end of period	(2,326)	(4,399)	(6,725)	2,993,052

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	723,122	549,639	1,745,671	(18,655)	2,999,778
Cumulative effects of changes in accounting policies			13,818		13,818
Restated balance	723,122	549,639	1,759,489	(18,655)	3,013,596
Changes during period					
Issuance of new shares - exercise of share acquisition rights	201	198			400
Dividends of surplus			(341,592)		(341,592)
Profit attributable to owners of parent			785,688		785,688
Net changes in items other than shareholders' equity					
Total changes during period	201	198	444,095	-	444,495
Balance at end of period	723,323	549,837	2,203,584	(18,655)	3,458,091

	Accumulated other comprehensive income			Total net assets
	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	(2,326)	(4,399)	(6,725)	2,993,052
Cumulative effects of changes in accounting policies				13,818
Restated balance	(2,326)	(4,399)	(6,725)	3,006,870
Changes during period				
Issuance of new shares - exercise of share acquisition rights				400
Dividends of surplus				(341,592)
Profit attributable to owners of parent				785,688
Net changes in items other than shareholders' equity	8,581	(38,446)	(29,865)	(29,865)
Total changes during period	8,581	(38,446)	(29,865)	414,629
Balance at end of period	6,255	(42,846)	(36,591)	3,421,500

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended June 30, 2021	Fiscal year ended June 30, 2022
Cash flows from operating activities		
Profit before income taxes	930,529	1,176,390
Depreciation	174,652	177,403
Amortization of goodwill	4,074	8,607
Share-based payment expenses	50,482	45,836
Increase (decrease) in allowance for doubtful accounts	(88)	–
Increase (decrease) in provision for retirement benefits for directors (and other officers)	18,863	25,432
Increase (decrease) in retirement benefit liability	2,452	(7,045)
Increase (decrease) in provision for bonuses	1,351	826
Increase (decrease) in provision for loss on orders received	(1,281)	(4,041)
Increase (decrease) in reserves for quality assurance	(3,680)	1,832
Interest and dividend income	(83)	(79)
Interest expenses	15,230	14,522
Impairment losses	24,447	14,054
Loss on retirement of non-current assets	–	116
Decrease (increase) in trade receivables	(371,800)	(476,489)
Decrease (increase) in inventories	38,687	91,343
Increase (decrease) in trade payables	178,235	(29,708)
Increase (decrease) in accrued expenses	(34,332)	178,034
Increase (decrease) in accounts payable - other	39,402	77,604
Increase (decrease) in accrued consumption taxes	(46,713)	(3,931)
Other, net	(24,756)	69,598
Subtotal	995,673	1,360,310
Interest and dividends received	83	79
Interest paid	(15,245)	(14,478)
Income taxes paid	(271,286)	(338,443)
Net cash provided by (used in) operating activities	709,225	1,007,468
Cash flows from investing activities		
Payments into time deposits	(85,800)	(88,800)
Proceeds from withdrawal of time deposits	48,500	54,700
Purchase of insurance funds	(11,974)	(12,696)
Purchase of property, plant and equipment	(114,314)	(33,357)
Purchase of intangible assets	(106,747)	(60,528)
Payments of leasehold and guarantee deposits	(9,078)	(9,413)
Proceeds from refund of leasehold and guarantee deposits	4,674	494
Payments for asset retirement obligations	(1,800)	–
Payments for investments in capital	(10)	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(125,102)
Net cash provided by (used in) investing activities	(276,550)	(274,704)

(Thousands of yen)

	Fiscal year ended June 30, 2021	Fiscal year ended June 30, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	15,000	130,000
Proceeds from long-term borrowings	90,800	100,000
Repayments of long-term borrowings	(159,946)	(109,028)
Repayments of lease liabilities	(23,378)	(21,672)
Dividends paid	(100,188)	(340,322)
Proceeds from exercise of employee share options	12,000	400
Net cash provided by (used in) financing activities	(165,713)	(240,623)
Effect of exchange rate change on cash and cash equivalents	3,518	10,021
Net increase (decrease) in cash and cash equivalents	270,480	502,161
Cash and cash equivalents at beginning of period	1,929,392	2,199,873
Cash and cash equivalents at end of period	2,199,873	2,702,034